

**Lansing Board of Water and Light
Retiree Benefit Plan and Trust**

**Financial Report
June 30, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Lansing Board of Water and Light Retiree Benefit Plan and Trust</u>		County Ingham County
Audit Date June 30, 2004	Opinion Date September 2, 2004		Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 1111 Michigan Avenue		City East Lansing	State Michigan
Accountant Signature 		ZIP 48823	
		Date	

Lansing Board of Water and Light Retiree Benefit Plan and Trust

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Plante & Moran, PLLC

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Independent Auditor's Report

Honorable Mayor, Members of City Council,
and Commissioners of the
Board of Water and Light
City of Lansing, Michigan

We have audited the accompanying statement of trust net assets of Lansing Board of Water and Light Retiree Benefit Plan and Trust (the Plan), as of June 30, 2004 and 2003, and the related statement of changes in trust net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan, as of June 30, 2004 and 2003, and the changes in trust net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Governmental Accounting Standards Board (GASB), Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments*, requires a Management Discussion and Analysis be presented along with the financial statements. This information has not been presented.

Plante & Moran, PLLC

September 2, 2004

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Lansing Board of Water and Light Retiree Benefit Plan and Trust

Statement of Trust Net Assets

	June 30	
	2004	2003
Assets		
Investments - Fair value		
Corporate bonds and notes:		
General Motors Acceptance Corp., bond, 7.0% maturing July 15, 2013	\$ -	\$ 1,504,290
Money Store, Inc., bond, 8.375%, maturing April 15, 2004	-	1,580,985
GTE Corp., bond, 8.75% maturing November 1, 2021	1,209,950	1,316,910
Union Carbide Corp., bond, 7.875%, maturing April 1, 2023	477,500	505,165
JP Morgan Cap TR II bond, 7.95%, maturing February 1, 2027	2,150,960	-
Citicorp Capital I bond, 7.933%, maturing February 15, 2027	1,091,300	-
Verizon Global bond, 7.75%, maturing December 1, 2030	1,123,180	-
GE Global Insurance, bond, 7.75%, maturing June 15, 2030	1,132,340	1,200,220
Mutual funds:		
Evergreen Equity Index Fund	7,607,446	5,445,602
Ishares MSCI EAFE Index Fund	343,200	-
Ishares Russell Midcap Index Fund	342,430	-
Ishares TR-Russell 2000 Index Fund	346,891	-
Comerica money market collective trust fund	5,902,391	2,310,466
Total investments at fair value	21,727,588	13,863,638
Investment interest and dividend receivable	131,451	103,917
Trust Net Assets	\$ 21,859,039	\$ 13,967,555

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Statement of Changes in Trust Net Assets

	Year Ended June 30	
	2004	2003
Additions:		
Contributions	\$ 6,704,489	\$ 1,566,272
Investment income:		
Appreciation (depreciation) in fair value		
of investments:		
Corporate bonds and notes	(486,870)	403,020
Mutual funds	<u>1,126,185</u>	<u>(11,107)</u>
Total appreciation in fair value		
of investments	639,315	391,913
Interest and dividend income	<u>547,680</u>	<u>489,000</u>
Total investment income	1,186,995	880,913
Net Increase in Trust Net Assets	7,891,484	2,447,185
Net Assets		
Beginning of year	<u>13,967,555</u>	<u>11,520,370</u>
End of year	<u>\$ 21,859,039</u>	<u>\$ 13,967,555</u>

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2004 and 2003

Note 1 - Description of the Plan

The following description of the Lansing Board of Water and Light Retiree Benefit Plan and Trust (the Plan), a component unit of the Board of Water and Light - City of Lansing, Michigan (the BWL), provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General - The Plan was established on October 20, 1999, effective as of July 1, 1999, to constitute a "voluntary employees beneficiary association" (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended.

Benefits - Benefits shall not be paid from this Plan to participants or their beneficiaries during a Plan year in which there has been a "qualified transfer" pursuant to Internal Revenue Code Section 402(e)(1)(B) from the Lansing Board of Water and Light Defined Benefit Plan for the Employees' Pensions, except that once the "qualified transfer" has been exhausted for the purpose of paying qualified current retiree health liabilities, benefit payments may be made under this Plan consistent with Internal Revenue Code Section 402(e)(1)(B). After "qualified transfers" have been exhausted, benefits paid under this Plan shall be those benefits described in the relevant sections of the Postretirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light.

Trustees - Each member of the Lansing Board of Water and Light Board of Commissioners is a Trustee during the term of office as a Commissioner. The Trustees have appointed Comerica Bank and Wachovia Securities Incorporated as custodians of the Plan assets.

Contributions - The Lansing Board of Water and Light (BWL) makes contributions in such a manner and at such times as appropriate. All contributions received, together with the income thereon are held, invested, reinvested, and administered by the Trustees pursuant to the terms of the Plan agreement. No employee contributions are allowed under this Plan.

Participation - Participation in this Plan is determined in accordance with the terms of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light.

Lansing Board of Water and Light Retiree Benefit Plan and Trust

**Notes to Financial Statements
June 30, 2004 and 2003**

Note 1 - Description of the Plan (Continued)

Vesting - Benefits become payable in accordance with the terms of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light. At no time will benefits of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light be vested. The BWL may reduce or eliminate any or all Plan benefits at any time, subject to the requirements of any collective bargaining agreement.

Termination - In the event of Plan termination, all Plan assets shall be used to purchase additional eligible benefits in accordance with the terms of the Plan agreement. In the event of dissolution, merger, consolidation, or reorganization of the BWL, the Plan shall terminate and liquidate in a manner consistent with the Plan agreement unless the Plan is continued by a successor to the BWL.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The Plan statements are prepared using the accrual basis of accounting.

Investment Valuation and Income Recognition - Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

Purchases and sales of investments are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of the period fair value of investments.

Expenses - Substantially all costs and expenses incurred in connection with the operation and administration of the Plan are paid by the BWL, the plan sponsor. The Plan pays all transaction expenses incurred in connection with the investment accounts, which are netted with investment income.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2004 and 2003

Note 3 - Investments

At June 30, 2004, certain investments of the Plan are uninsured and unregistered investments for which the securities are held by the custodian or by its trust department or agent but not in the Plan's name.

Mutual funds and the collective trust fund are not subject to categorization of investment risk because they are not evidenced by securities that exist in physical or book entry form. These investments are registered with the SEC.

Note 4 - Tax Status

The Plan is exempt under Internal Revenue Code Section 501(c)(9) and received an exemption letter as of February 9, 2000. The Plan has since been amended. Management believes the Plan continues to operate as a qualified Plan.

Therefore, no provision for income taxes has been included in the Plan's financial statements.